A Study on the Investors Preference towards Equity-Shares as a Best of Investment

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ABSTRACT
With a broadening of the corporate sector, volume of business on the exchanges in India is likely to increase. The greater interest shown in recent years by investors is partly reflected in the over-subscription of new issues. There has been a great demand for growth issues i.e., shares of companies with growth prospected. It has been observed that the wider the distribution of corporate securities among investors, the greater the reception accorded to new or additional issues of capital; the more mobile the market, the greater the participation of investors and traders in the raising of corporate capital. The purpose of portfolio construction and management for an individual investor is to create and maintain, through a logical sequence of steps optimal combinations of investment vehicles to achieve stated goals. The portfolio construction and management process begins with the ranking of client goals in order of importance. Then the client’s constraints are identified for each goal. The client’s available resources are identified, including existing assets and discretionary income. Based on the analysis, the findings were listed down and the researcher made suitable recommendations. The recommendations were made to avoid risks and select good stocks. The result on the analysis during the research shows that if the investment was dealt in a proper manner, then Equity Shares is considered to be the best form of investments while comparing with other types.

INTRODUCTION

With a broadening of the corporate sector, volume of business on the exchanges in India is likely to increase. The greater interest shown in recent years by investors is...
partly reflected in the over-subscription of new issues. There has been a great demand for growth issues i.e., shares of companies with growth prospected. It has been observed that the wider the distribution of corporate securities among investors, the greater the reception accorded to new or additional issues of capital; the more mobile the market, the greater the participation of investors and traders in the raising of corporate capital.

1.1 Objectives of the Study

1. To conduct a study on the preference towards investing in equity shares as a best form of investments
2. To measure the degree of awareness of investors towards investing in equity shares
3. To suggest measures to improve the efficacy of the investors towards investing in equity shares.

1.2 Scope of the Study

Many investors put their hard earned money in mutual funds in both private and public sectors. It will be gain of saying the fact that the performance of mutual funds is of vital interest to the prospective investors. Also there arises a necessity to review the performance of mutual funds, as it is the only type of investment destination, which partially assures a sort of safety and reasonable return in addition to the capital appreciation.

This study is expected to investigate investor perception towards risk and returns in the mutual funds compared with the other capital market investment avenues. By the stipulated objectives focused in this study the altitudinal preference of the investors at the time of their selection in the investment opportunities especially in mutually funds will be identified.

This study reveals critical factors influencing the investors to choose equity shares. A Questionnaire is prepared based on these factors and to collect response from the investors of general public. Then finally, suitable recommendations regarding the study are made out.

This data survey is made between the Chennai city residents of the different investors of the general public.

1.3 Limitations of the Study

1. Any research study will be restricted in scope by certain inherent limitations that are participated by the choice of the research design, sampling procedure and respondent selection. This study has the following limitations:
2. Even though the survey was conducted among the investors having portfolio of the capital market instruments it may not reflect the real opinion of the total population.
3. Because of time constrains, the sample size is restricted to 100, which may not reflect the opinion of the entire investors group
4. Since the study was restricted to capital market instrument investors, majority of findings are applicable only to these types of investors and cannot be generalized.
5. The samples may behave or give opinions differently at different times because of their psychological temperament. This will affect the survey.

**METHODOLOGY OF THE STUDY**

Methodology is backbone of the research work. It includes sample size, methods of data collection, tools for studying the problem etc. Data is the unprocessed information. It is the basic factor, which gives the information about the problem. Data are two types namely primary and secondary. This work purely relies on primary data to study the objectives. This was collected through a structured questionnaire. Secondary data was obtained from company annual reports, business magazines and past records. The major source of data collection is from investors of capital market instruments. Data has been interpreted by adapting the chi-square technique to establish bias opinion between various respondents. The various factors which were influenced by the investors have been ranked by using Spearman’s Rank Correlation method.

2.1 Sampling Design

The sample size consists of 100 capital market investors, which include 70% of general public investors, 15% of share brokers and 15% of financial agents/financial staffs. Simple random sampling method was used to collect the data from the investors. This questionnaire consisted of three parts – Part A, Part B and Part C. Part A pertains to personal details, Part B deals with the factors influencing the preference of the investors and Part C deals with the order of the priority of different factors influencing the preference of the investors.

**FINDINGS OF THE STUDY**

**Part - A**

1. Comparing the sex, most 74% of the respondents are male
2. Nearly 53% of the persons were single and unmarried
3. On age group, majority 44% of the persons was in the age group of 30 to 40 years
4. About qualifications, most 42% persons were graduates.
5. Most 37% persons have the annual income of less than Rs.1,00,000
6. About experience most 30% persons are 1 to 3 years experienced
7. The monthly financial requirement of the persons is almost 39% steady and stable.
8. About 59% of the persons have the capital market preference towards equity shares
9. Most 30% of them have the change in investment portfolio for about 3 to 5 years.

**Part – B**

1. Majority of the persons Strongly Agree that the following factors influence the investors preference for equity shares:
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1. Receiving Annual Dividend (29%)
2. Profit attained in shorter time

II. Majority of the persons Partly Agree that the following factors influence the investors preference for equity shares:
   1. Investing money in Equity Shares (33%)
   2. Investor’s attraction towards Equity Shares (33%)
   3. Taking risks of investing money (30%)
   4. Investing leads to regular returns (41%)
   5. Accumulating money with minimum risks (29%)
   6. Reliable form of investing in Equity shares (26%)
   7. Services offered by Equity shares (30%)
   8. Sources of Information obtained (31%)

Part – C
1. The factor low capital was ranked first followed by capital security by the respondents
2. The factor huge profit was ranked third followed by investors service and annual dividend by the respondents
3. The factor Liquidity was ranked sixth followed by return on investments and resale value by the respondents
4. The respondents considered the factors tax benefits and moderate risk as less important to them.

RECOMMENDATIONS OF THE STUDY
1. It is recommended that investors select stocks prudently with selection of stocks prove to better volatility
   a. To realize you gains in the stock market, your stock selection is going to be the key step. While we are in the stock market to extract a decent return, we must not act like compulsive gamblers. Even good gamblers have their risk reduction strategies.
2. It is recommended that the stock selection should be based on avoiding such stocks whose price fluctuates widely
3. Another important aspect is: Whether the price at which you are entering a stock is a fair price? Just because there has been a big increase in its price recently does not make it fairly or unfairly priced. Players use various ratios, inside information, tips, and educated guesses to resolve this issue. But if the company is shady, there may be unseen risks, which you will discover only later. By courting a shady company, you are unnecessarily meddling with something of suspect quality. It is better to be safe than sorry. Therefore, it is better to do some homework on this aspect.
4. It is recommended that stock selection should be made based on the market capitalization.
5. One more simple and practical way to broadly determine the risk reward equation would be a reference to the size of the company by market
capitalization. Market capitalization means the price at which 100% shares of the company can be purchased at current market prices.

6. It is recommended that the share market investments should be made based on properly considered strategies only.

7. In any series of values arranged over time, there are four factors playing themselves out – long term or secular trends, cyclical movements, seasonal fluctuations, and irregular ups and downs. The same story applies to stock prices over time. It is for you, the informed investor, to decide which ones among these you would plan to benefit from and devise your strategy accordingly.

8. Many people do daily trading – buying and selling within the day to realize gains without investments, it is high risk in the sense you are betting on movements within a single day. If for some reason your bet goes wrong, you have to cut losses and pay up. However, the major gainers in daily trading will always be the brokers.

CONCLUSION

The purpose of portfolio construction and management for an individual investor is to create and maintain, through a logical sequence of steps optimal combinations of investment vehicles to achieve stated goals. The portfolio construction and management process begins with the ranking of client goals in order of importance. Then the client’s constrains are identified for each goal. The client’s available resources are identified, including existing assets and discretionary income.

Based on the analysis, the findings were listed down and the researcher made suitable recommendations. The recommendations were made to avoid risks and select good stocks. The result on the analysis during the research shows that if the investment was dealt in a proper manner, then Equity Shares is considered to be the best form of investments while comparing with other types.

REFERENCE